

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

DRC-01 /188 W

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R 210717Z DEC 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 881

INFO AMEMBASSY SEOUL

CINCPAC HONOLULU HI

C O N F I D E N T I A L TOKYO 16475

E.O. 11652: GDS

TAGS: EAID, JA, KS

SUBJECT: JAPAN'S ECONOMIC COOPERATION WITH SOUTH KOREA

REF: TOKYO 14555

CINCPAC FOR POLAD

NOFORN

SUMMARY: FONOFF REPS SAY GOJ WILL PLEDGE LESS AID TO SOUTH KOREA THIS YEAR THAN LAST, FINAL DECISION TO BE MADE BY CABINET DECEMBER 22. FONOFF HOPES AT LEAST TWO OF THREE PENDING LOANS PLEDGED LAST YEAR CAN BE CONSUMMATED BY EXCHANGES OF NOTES BY YEAR END. END SUMMARY.

1. DURING CONVERSATION DECEMBER 19, KIKUCHI, ASSISTANT DIRECTOR GENERAL, ECONOMIC COOPERATION BUREAU, FONOFF, TOLD ECON/COUNS THAT JAPANESE AID TO KOREA TO BE PLEDGED IN CONNECTION WITH FORTHCOMING MINISTERIAL MEETING
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TO BE HELD DECEMBER 26 WOULD BE QTE MUCH LESS UNQTE THAN AMOUNT

PLEDGED LAST YEAR (\$170 MILLION). ROKG IS LOWERING ITS REQUEST FROM \$400 MILLION LAST YEAR TO \$325 MILLION THIS YEAR, HE SAID, BUT ITS QTE SUCCESS RATE UNQTE WILL ALSO BE LOWER.

2. GOJ WOULD LIKE TO ALTER CHARACTER OF MINISTERIAL FROM AID NEGOTIATING/PLEDGING SESSION (AS IT HAS BEEN FOR PAST SIX SESSIONS) TO MORE GENERAL DISCUSSION OF POLITICAL AND ECONOMIC MATTERS ALONG LINES OF US-JAPAN ECONCOM MEETINGS. ACCORDING TO KIKUCHI, ROKG HAS EXPRESSED ITS AGREE-MENT WITH THIS CONCEPT, ALTHOUGH SUCH A CHANGE IS EASIER SAID THAN DONE. IN ANY EVENT, PRESENT ATMOSPHERE IS SUCH THAT GOJ EXPECTS ROKG TO MAINTAIN LOW PROFILE AT THIS YEAR'S MEETING. EARLIER, OYAKE, HEAD, INTERNATIONAL TRADE DIVISION AT FONOFF, HAD TOLD ECON/COUNS THAT AGENDA WOULD CONSIST OF THREE ITEMS: (A) REVIEW OF POLITICAL SITUATION, (B) BILATERAL ECONOMIC MATTERS -- TRADE AND AID, AND (C) INTERNATIONAL ECONOMIC ISSUES (OYAKE UNCERTAIN WHAT THIS WOULD COVER).

3. IN SEPARATE CONVERSATION DECEMBER 20, WATANABE, DEPUTY HEAD, FIRST ECONOMIC COOPERATION DIVISION, TOLD EMBOFF THAT FONOFF STILL HOPES WITHIN THIS YEAR AND PERHAPS BY TIME OF MINISTERIAL TO EXCHANGE NOTES CONCERNING TWO OF THREE PENDING LOANS (FOR COMMODITIES AND EXPORT PRO-MOTION) PLEDGED AT LAST YEAR'S MEETING, BUT TECHNICAL PROBLEMS CONCERNING THIRD LOAN (FOR AGRICULTURAL DEVELOP-MENT), CENTERING ON AMOUNT OF LOCAL COSTS TO BE FINANCED, DELAYING ITS CONSUMMATION.

4. WATANABE HAD EARLIER TOLD EMBOFF THAT ROKG WAS REQUEST-ING NEW AID FOR AGRICULTURAL DEVELOPMENT, STEEL PLANT EXPANSION, AND PORT CONSTRUCTION. DURING DECEMBER 20 CONVERSATION, HOWEVER, HE SAID HE NOT IN POSITION BE SPECIFIC ON GOJ PLANS FOR FUTURE AID PENDING FINAL DECISION ON MATTER AT DECEMBER 22 CABINET MEETING.

5. COMMENT: THERE HAS BEEN CONSIDERABLE OPPOSITION FROM THE PRESS, OPPOSITION PARTIES, AND THE UTSUNOMIYA-LED "DOVE" GROUP WITHIN THE LDP TO HOLDING THE MINISTERIAL MEETING WHILE KIM TAE JUNG IS STILL NOT FREE TO LEAVE KOREA. FOR CONFIDENTIAL

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THIS REASON MEETING IS SCHEDULED TO BE HELD DECEMBER 26 AFTER DIET RECESSES FOR NEW YEAR BREAK (RECESS EXPECTED TO BEGIN DEC 22) AND IS TO LAST ONLY ONE DAY. SHOESMITH.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 21 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TOKYO16475
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973129/aaaaagiq.tel
Line Count: 111
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: TOKYO 14555
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 15 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15-Nov-2001 by smithrj>; APPROVED <19-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JAPAN'S ECONOMIC COOPERATION WITH SOUTH KOREA
TAGS: EAID, JA, KS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005